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SENSITIVE
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TAGS: [EFIN](#) [ECON](#) [KCRM](#) [SNAR](#) [PGOV](#) [CO](#)
SUBJECT: FALLOUT FROM PYRAMID SCHEME CONTINUES TO SHAKE
COLOMBIA

REF: A. BOGOTA 4134
[B](#). BOGOTA 4201
[C](#). BOGOTA 4261

[1](#). (SBU) SUMMARY: Nearly three weeks since the first of Colombia's various pyramid schemes collapsed (ref A) and ten days since the closure of the largest such alleged entity, DMG (ref B), the economic, political, and social fallout continue to shake Colombia. Officials from Colombia's southern departments, where riots against the GOC by defrauded victims continue, estimate that 480,000 of their constituents had money invested in the schemes. As victims continue to apply for GOC assistance, President Uribe announced a new emergency decree directing Colombia's banking sector to facilitate savings accounts for low-income Colombians. Meanwhile, speculation has increased that Finance Minister Zuluaga may resign under criticism for his handling of the crisis. END SUMMARY.

Protests and Petitions Continue

[2](#). (SBU) Limited violence and demonstrations by victims of various pyramid schemes as well as investors in DMG have persisted in several southern cities in Colombia. In particular, DMG clients have conducted a series of well-organized rallies to blame the GOC for destroying the company and instigating the consequent loss of investors' "shares". In the latest unrest, local officials report that at least 15 people were injured and more than 100 cars burned in DMG-related protests in Putumayo on November 27. At the same time, more than 42,000 victims have submitted documentation to the GOC to get in line for any possible restitution from seized DMG assets and health officials say that calls to Colombia's national suicide hotline have spiked 36 percent in the last two weeks as a result of despondent victims who have lost their savings.

Southern Governors Request Assistance

[3](#). (SBU) Social tension and economic pressure have reached the point that the departmental governors of Cauca, Narino, Huila, and Putumayo requested the national government establish an emergency fund to help bail out victims. President Uribe has not publicly committed to the idea, but has said that the GOC may need to include funds in the 2009 budget, currently under congressional debate, to address fallout from the crisis. Preliminary economic data indicates that commercial sales in the four departments have fallen 20 percent in the last three weeks. The governors estimate

200,000 families in Narino, 170,000 families in Putumayo, 60,000 families in Cauca, and 50,000 families in Huila were invested in the schemes.

New Measure to Expand Formal Bank Accounts

¶4. (SBU) In response to continued calls for action, President Uribe announced another emergency decree November 27 waiving certain bank account fees for low-income Colombians and directing Colombian banks to make formal sector savings accounts easier to obtain. Numerous local financial experts, as well as some pyramid scheme victims, blame the high cost and difficult procedural steps in obtaining a formal savings account in Colombia for driving low-income families to invest their savings in institutions that ended up being pyramid schemes. Others, including the President of Colombia's Banking Association, Maria Mercedes de Cuellar, and National Association of Financial Institutions (ANIF) President Sergio Clavijo, dispute the assessment and suggested that the mandatory removal of bank service charges represented a worrying precedent of GOC intervention into the free market.

Speculation Swirls Around Finance Minister's Future

¶5. (SBU) Over the last week, Colombian media has featured various reports that Finance Minister Zuluaga would submit his resignation to President Uribe. While officials from the Presidential Palace and Ministry of Finance have denied the reports, Minister Zuluaga, and the financial offices that

report to him, such as Colombia's Tax Administration (DIAN) and the Financial Superintendent's office, have borne much of the public and congressional criticism for allowing the pyramid schemes to proliferate unregulated. Contacts we have spoken with are divided in their predictions of whether Minister Zuluaga will remain. Meanwhile, House of Representatives Secretary General Jesus Alfonso Rodriguez told us pressure in Congress--including within the Uribe coalition--to hold GOC officials accountable is growing, as evidenced by the decision of two Conservative Party members to abstain in the November 27 First Commission vote on a possible third term for Uribe (ref C).

BROWNFIELD